ANNUAL REPORT
OF THE
PENSION MANAGEMENT OVERSIGHT
COMMISSION

Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204

January, 2006

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2005

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (IC 2-5-12) directing the Pension Management Oversight Commission (the Commission) to oversee public retirement funds in Indiana. The Commission is required to do the following:

(1) Study the investment and management practices of the boards of the public retirement funds.
(2) Determine what constitutes adequate wage replacement levels at retirement (including benefits from public retirement funds and Social Security) for public employees.
(3) Study the impact of federal law and proposals concerning pensions, annuities, and retirement funds.
(4) Study the retirement funds established under IC 36-8.
(5) Study other topics as assigned by the Legislative Council.
(6) Study other topics as directed by the Commission's chair.

The Commission consists of twelve members: four Representatives, four Senators, and four lay members who must be experts in the areas of finance, investments, or pension fund management. The chair of the Legislative Council appoints the chair of the Commission.

The Legislative Council assigned the following additional responsibilities to the Commission in 2005:

(1) Study local government pension relief distribution delay.
(2) Study the repeal of the expiration of the deferred retirement option plan.
(3) Study volunteer public safety officers' health benefits/presumptions.

II. INTRODUCTION AND REASONS FOR STUDY

The Commission determined that it would review the following issues:

A. Public Employees' Retirement Fund (PERF) Administrative Issues

The Commission heard testimony to determine whether to recommend: (1) the release of Social Security numbers for the purpose of administering state retirement funds; (2) confidentiality for certain information concerning alternative investments; and (3) a review process for certain public safety disability determinations. The Commission also received PERF's annual report of operations and a report concerning the Legislators' Defined Contribution Plan Pilot Program.

B. Teachers' Retirement Fund (TRF) Administrative Issues

The Commission heard testimony to determine whether to recommend: (1) an election at retirement by a TRF member who also has service as an elected official as to whether to retire from PERF or TRF; (2) specification of the type of disability benefit that a TRF member must be eligible to receive in order for the member's surviving spouse to qualify for survivor benefits; (3) a limitation on the use of military service to obtain creditable service in TRF; and (4) the elimination of the requirement that the TRF executive director be a member of TRF.

C. Public Safety Pension Issues

The Commission heard testimony to determine whether to recommend the repeal of: (1) the January 1, 2008, expiration date for certain distributions from the Pension Relief Fund; and (2) the December 31, 2007, expiration date for the public safety deferred retirement option plan (DROP), both topics assigned by the Legislative Council. The Commission also heard testimony to determine whether to restructure the presumption concerning certain health conditions to include police officers and firefighters who are employed full-time by the state or a political subdivision and also serve as volunteer firefighters, emergency medical technicians, or first responders, a topic assigned by the Legislative Council.

The Commission also heard testimony about a proposal to allow a local government tax control board on an appeal by a civil taxing unit to recommend an increase in the unit's property tax levy equal to the amount by which a unit's public safety pension payments and contributions made by the unit during an ensuing calendar year exceed the payments and contributions made by the unit during the calendar year that immediately precedes the ensuing calendar year.

D. Pension Bonding by Units of Local Government

The Commission heard testimony on three proposals to make the use of pension bonds to fund public safety pension obligations easier and more effective by local units of government by: (1) eliminating the requirement that a unit's assessed value be divided by three to determine the unit's debt limit for purposes of issuing pension bonds; (2) allowing a unit to issue pension bonds using a negotiated sale; and (3) giving a unit more flexibility in the investment of pension bond proceeds.

E. Judges' Pension Issues

The Commission heard testimony to determine whether to recommend changes to the Judges' 1985 Benefit System to: (1) allow a person serving as a full-time magistrate to become a participant in the Judges' 1985 Benefit System; and (2) establish a cost of living adjustment for participants, survivors, and beneficiaries.

F. Prosecuting Attorneys Retirement Fund Issue

The Commission heard testimony to determine whether to recommend a reduction from ten to eight in the years of service credit required for a participant to vest in the Prosecuting Attorneys Retirement Fund.

III. SUMMARY OF WORK PROGRAM

The Commission met three times during the interim following the conclusion of the 2005 session of the General Assembly. All three meetings were held at the State House in Indianapolis.

At the first meeting, held on September 14, 2005, the Commission heard testimony concerning the following issues: (1) the repeal of the January 1, 2008, expiration date for certain distributions from the Pension Relief Fund; (2) the repeal of the December 31, 2007, expiration date for the DROP; (3) volunteer public safety officers' health benefits and presumptions; (4) the release of Social Security numbers for the purpose of administering state retirement funds; (5) confidentiality for certain information concerning alternative investments; (6) a review process for certain public safety disability determinations; (7) an election at retirement by a TRF member who also has service as an elected official as to whether to retire from PERF or TRF; (8) the specification of the type of disability benefit for which a TRF member must be eligible in order for the member's surviving spouse to qualify for survivor benefits; and (9) a limitation on the use of military service to obtain creditable service in TRF. The Commission also received PERF's annual report of operations and a report concerning the Legislators' Defined Contribution Plan Pilot Program.

At the second meeting, held on September 29, 2005, the Commission heard testimony concerning the following issues: (1) the repeal of the January 1, 2008, expiration date for certain distributions from the Pension Relief Fund; (2) the repeal of the December 31, 2007, expiration date for the DROP; (3) the elimination of the requirement that the TRF executive director be a member of TRF; and (4) changes in the issuance of pension bonds by units of local government.

At the third meeting, held on October 20, 2005, the Commission heard testimony concerning the following issues: (1) a reduction in the amount of service credit needed to vest in the Prosecuting Attorneys Retirement Fund; (2) changes in the Judges' 1985 Benefit System to allow full-time magistrates to become participants and to establish a cost of living adjustment for participants, survivors, and beneficiaries; (3) the elimination of the requirement that the TRF executive director be a member of TRF; (4) changes in the issuance of pension bonds by units of local government; and (5) an increase in the maximum allowable property tax levy to fund increases in pension payments and contributions for public safety pensions.

IV. SUMMARY OF TESTIMONY

A. PERF Administrative Issues

(1) PERF Annual Report

The Commission heard testimony from David Adams, PERF Executive Director, concerning PERF's operations. PERF's current market value (as of July 1, 2005) is $12.83 billion. The current target asset allocations for the Consolidated Retirement Investment Fund are between 42% and 51% for Domestic Equities (actual is 49.5%), between 8% and 17% for International

Equities (actual is 13.3%), between 6% and 15% for Global Equities (actual is 8.4%), between 24% and 42% for Fixed Income (actual is 28.1%), between 2% and 11% for Alternatives (actual is 0.3%), and 0% cash (actual is 0.4%). Mr. Adams identified alternatives as an area in which PERF is looking for additional investment.

PERF has more than 184,000 active members. The top 5 employers represent 37% of the total. The top employer, the State of Indiana, represents 25% of the total. PERF has more than 1,100 employer participants. The top 25 employers represent 51% of the fund's total membership. Employers with 50 or less employees represent 63% of the fund's total membership.

PERF is addressing the problems listed in last year's State Board of Accounts (SBOA) audit. One-third of the SBOA's findings related to benefit over- and under-payments. Many of the incorrect payment amounts are tied to problems in accurately determining members' creditable service. PERF is studying the computation of creditable service and has developed a template that it plans to make available to all employers. Ball State University, Purdue University, and the City of Indianapolis are participating in a pilot program using the template. PERF is asking the SBOA to complete the next fiscal year's audit by October 28, 2005, so that PERF will have more time to understand and work on the issues raised by the audit.

PERF is also reengineering the retirement process. For 86% of PERF's membership, Social Security is a member's only other resource, making the prompt determination and delivery of a PERF benefit crucial. PERF is working to reduce the time to process a member's benefit application and is focusing on minimizing the time between a member's retirement date and the first payment of a retirement benefit. It is developing Web-based account access and self-service capability for members. PERF is also introducing a program called Bridge to Retirement to educate and aid members in the transition from work to retirement. Bridge to Retirement asks the questions that members should consider before retirement and suggests a twenty-four month process to a member's retirement date.

To measure its progress, PERF has created a scorecard that includes targets for both statewide initiatives and agency metrics. Fundamental agency change initiatives include the resolution of SBOA findings, creditable service computation, self-service capabilities, and Human Resource development. PERF is also working on implementing a 2003 requirement to furnish an annual account statement to members and beneficiaries who receive their benefit by direct deposit and plans to launch a program next spring to send to each member an annual statement that contains information similar to that shown in Social Security's annual statement.

PERF is researching adding more investment options for the annuity savings accounts. One possibility is a lifestyle fund that will allocate a greater amount of the member's contributions to equities when a member is younger and gradually shift to fixed income as a member gets closer to retirement. Mr. Adams pointed out that a majority of members currently have their annuity savings accounts in the Guaranteed Fund.

(2) Proposed Legislative Changes

(a) Release of Social Security Numbers

PERF proposed to amend IC 4-1-10-5 to permit the release of Social Security numbers to third party administrators for the purpose of administering a state retirement fund. Under IC 4-1-10, which became effective July 1, 2005, PERF and TRF may release only the last four digits of a member's Social Security number, unless: (1) disclosure is to a federal, state, or local agency; (2) disclosure is expressly required by federal law, state law, or a court order; or (3) the member expressly consents to the disclosure in writing.

(b) Confidentiality of Certain Information concerning Alternative Investments

PERF's second request was to add IC 5-14-3-4(b)(22) to permit PERF to maintain the confidentiality of certain alternative investment information. The type of alternative investment information that investors generally regard as confidential includes portfolio company information or key investment priorities that could reveal a general partner's strategy and tactics to competitors. Certain information would remain public, including the name and address of the alternative investment contact, the dollar amount of PERF's commitment , the return rates, and the fees and costs. Without specific confidentiality provisions, many private equity funds are growing more reluctant to have public pension funds as investors. This result could harm PERF by limiting the alternative investment opportunities and negatively affect PERF's investment performance and overall investment strategy.

(c) Review of Default Impairments

PERF's third request was to clarify the disability process for the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund). Currently, if a local board does not take timely action on a 1977 Fund disability claim, a Class 1 disability is automatically awarded without the possibility of review by the 1977 Fund. This default process can produce unfair results and windfall awards from the 1977 Fund solely because of a delay that is outside of the 1977 Fund's control. The proposed change would provide for oversight by the 1977 Fund of a default award.

(3) Report concerning the Legislators' Defined Contribution Plan Pilot Program

Mr. Adams described the features of the pilot program that was initiated on January 1, 2004, using a third-party record keeper, Great West. The pilot program was limited to legislators, or approximately 300 accounts. The investment choices included S&P 500, International, Small Cap, Money Market, and Bond Fund, with the Consolidated Retirement Investment Fund being the default choice. No guaranteed option was available.

The primary purpose of the pilot program was to provide legislators with the ability to change investment decisions more frequently than quarterly. Under the pilot program, legislators can change their investment selections as often as they desire. The pilot program also provides self-service capabilities, such as the ability to view accounts, make transactions, and update information online or through automated phone support.

Most participants are not viewing or changing their accounts online. Many participants have not made any changes to their accounts. In response to a survey that PERF conducted, most participants viewed the ability to change their accounts as a very positive capability and one that is necessary. The pilot program has experienced challenges as the result of a change in service level from Tom Parker of the PERF staff to a third-party provider, Great West.

Mr. Adams discussed the challenges involved in expanding the pilot program to 180,000 PERF participants. These include data and administrative requirements, especially those involved in the relationship between the defined benefit and the defined contribution attributes of PERF. A majority of PERF's current participants are in the Guaranteed Fund, so don't make investment selections, and a majority of PERF retirees are not online. Another question is the level of customer service to be offered. Yet another concern is the number of employers involved in remitting employee contributions every two weeks.

PERF currently recognizes investment gains and losses once per quarter. Changes in the PERF statutes during the legislature's 2005 session authorize the adoption of policies to allow for more frequent valuation and faster investment of employee contributions. However, Mr. Adams pointed out that quarterly account investment and valuation does help to keep the costs of the fund low. The current pilot program represents over 50% of PERF's information technology budget.

<u>B. TRF Administrative Issues</u>

(1) Proposed Legislative Changes

(a) Retirement by a Member with Service as an Elected Official

TRF requested an amendment to IC 5-10.2-4-8.2 to permit a member of TRF who has also served as an elected official to choose at the member's retirement date whether to retire from TRF or PERF. The proposed change would continue TRF's past practice of allowing the retiree to make the choice. The term "elected official" includes any state or political subdivision elected position, except for the General Assembly, which is already covered by another Indiana Code provision. TRF members to whom this amendment would apply usually hold positions as county commissioners or city councilmen.

(b) Eligibility for Survivor Benefits

TRF requested an amendment to IC 5-10.2-3-8(a)(3) to specify the type of disability benefit that a member must be eligible to receive in order for a member's surviving spouse to qualify for a survivor benefit. TRF has two types of disability benefits: classroom disability and regular disability. If the term "disability benefits" in IC 5-10.2-3-8(a)(3) is interpreted to include classroom disability under IC 21-6.1-5-1, a survivor of a member on classroom disability would not be entitled to survivor benefits and likely would not receive a distribution as a designated beneficiary from the member's annuity savings account after the classroom disability benefits that the member had received were repaid from that account. If the term is interpreted to mean only a disability retirement under IC 5-10.2-4-6, then a survivor of a member on classroom disability who was also eligible for regular disability (but had not applied for it) would be entitled to survivor benefits after most or all of the member's annuity savings account is used to repay the classroom disability benefits that the member received. This change should not have a fiscal impact, because TRF is already interpreting the statute this way.

(c) Military Service Credit

TRF requested an amendment to IC 21-6.1-4-6.1 to prohibit the use of military service to obtain creditable service in TRF if the military service is used to qualify an individual for a benefit from a military or another governmental retirement plan. Unlike other military service credited or purchased elsewhere in the Indiana Code, IC 21-6.1-4-6.1 does not limit TRF's use of military service already being used in the military or another governmental pension system to qualify for a benefit.

(2) Appointment of TRF Executive Director

Commission Member Meno proposed amending IC 21-6.1-3-5 to: (1) eliminate the requirement that the TRF executive director be a member of TRF; and (2) require that the director be qualified by professional background and experience.

Rod Ellcessor representing the Indiana State Teachers' Association (ISTA) explained that TRF employees are members of TRF, so that a person who was hired as the director would become a member of TRF. He also noted that TRF includes superintendents, school administrators, and principals, in addition to classroom teachers. He stated that ISTA supports a preference for hiring a TRF member as the fund's executive director.

The Commission requested that the proposed amendment be revised to allow the governor to appoint as the TRF director either a member of TRF or another person who is qualified by professional background and experience.

C. Public Safety Pension Issues

(1) Local Government Pension Relief Fund Distributions

The Commission heard testimony concerning the repeal of the January 1, 2008, expiration date in IC 5-10.3-11-4.7, which addresses distributions from the Pension Relief Fund to units of local government to pay benefits under the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund (collectively, the Old Funds). IC 5-10.3-11-4.7 requires that annual payments from the Pension Relief Fund to a unit of local government may not be less than half of the total of certain pension payments to be made by the unit in the calendar year.

Doug Todd of McCready & Keene, the actuaries for the police and fire pension funds, summarized the history, the major revenue sources, and the "K" and "M" distribution formulas for the Pension Relief Fund. He then reviewed the Pension Relief Fund's likely performance under various scenarios. Under current law, the present value, as of July 1, 2005, of the "Gray Area" (the shortfall of relief due to the exhaustion of the Pension Relief Fund) is $177.3 million, and the shortfall will begin in 2013. If the 2007 sunset of the 50% guarantee is repealed, the present value of the "Gray Area" as of July 1, 2005, increases to $520.7 million, and the shortfall will begin in 2012. If the sunset of the 50% guarantee is not repealed, but instead is extended through 2012, the present value of the "Gray Area" as of July 1, 2005, is $203.5 million, and the shortfall will begin in 2012. All scenarios assume an annual rate of return for the Pension Relief Fund of seven percent.

Mr. Todd illustrated the effect of the sunset of the 50% guarantee on selected cities and towns. He directed the Commission members' attention to the difference between the 2007 and the 2008 Pension Relief Fund distributions, if the sunset occurs, and the effect of the difference on a unit's outlay for pension benefits. For example, the City of Attica would have a decrease of $8,085 in its 2008 Pension Relief Fund distribution and a $9,039 increase in the city's 2008 outlay for pension benefits, if the sunset occurs. On the other hand, the City of Indianapolis will have an increase of $1,154,000 in its 2008 Pension Relief Fund distribution as well as a $1,007,000 increase in the city's 2008 outlay for pension benefits, if the sunset occurs. The difference in the amount of the Pension Relief Fund distributions between these cities is the result of differences in the population and the maximum tax levy.

(2) Public Safety Deferred Retirement Option Plan

The Commission heard testimony concerning the repeal of the expiration of the public safety deferred retirement option plan (DROP). IC 36-8-8.5-14, which addresses the timing for members to exit the DROP, is set to expire on January 1, 2008.

Mr. Todd briefly explained how a DROP works. He said that the experience has been that six out of ten members eligible for the DROP elect the DROP. He projected benefits under a continuation of the DROP and no change in retirement patterns for both the 1977 Fund and the Old Funds. It is actuarially neutral to continue the DROP for members of the 1977 Fund. The 1977 Fund saves money when a member enters the DROP before the member completes 32 years of service. For the Old Funds, the continuation of the DROP will result in an actuarial loss overall. However, there will be a gain in the short run if the DROP is extended. The DROP is an upfront cost to the Old Funds with a lower pension benefit afterwards. Mr. Todd estimated a $25.6 million impact to the Old Funds if the DROP continues

(3) Volunteer Public Safety Officers Health Benefits and Presumptions

The Commission heard testimony regarding the extension to police officers and firefighters who:

(1) are employed full time by the state or a political subdivision of the state; and

(2) also serve in a volunteer capacity as firefighters, emergency medical technicians, or first responders;

the presumption under IC 5-10-13 that, if an individual is diagnosed with certain health conditions, including HIV/AIDS, hepatitis, anthrax, meningococcal meningitis, smallpox, or tuberculosis, that result in disability or death, the individual's disability or death was incurred in the line of duty for purposes of qualification for certain benefits.

(4) Increase in the Maximum Property Tax Levy to Fund Public Safety Pensions

The Commission reviewed a proposed amendment to IC 6-1.1-18.5-13 that was suggested at a pension workshop sponsored recently by the Indiana Association of Cities and Towns (IACT). The proposal would allow the local government tax control board on an appeal by a civil taxing unit to recommend an increase in the unit's property tax levy for an ensuing calendar year equal to the amount by which the pension payments and contributions that the unit is required to make under IC 36-8 during the ensuing calendar year exceed the payments and contributions made by the unit during the calendar year that immediately precedes the ensuing calendar year. Current law allows the levy increase only if the pension payments and contributions have increased at least 10%. Representative Buell noted that, if enacted, the amendment would likely result in property tax increases.

(5) Testimony Concerning Public Safety Pension Issues

Matt Brase of IACT testified in support of the repeal of the expiration of the Pension Relief Fund 50% distribution provision. He also testified in support of the repeal of the expiration of the DROP as it applies to the 1977 Fund. Mr. Brase further testified in support of the proposal to increase the maximum allowable property tax levy to fund public safety pensions. IACT's legislative committee has not yet taken a position on the continuation of the DROP for the Old Funds. IACT does not recommend taking action on the extension of the presumption under IC 5-10-13.

Tom Miller representing the Indiana Association of Firefighters spoke in favor of continuing the DROP for both the Old Funds and the 1977 Fund. He estimated that there are 325 active members statewide in the Old Funds, the maximum number of people who could be eligible to participate in the DROP.

Tom Hanify representing the Indiana Association of Firefighters testified in support of the repeal of the expiration of the Pension Relief Fund 50% distribution provision and also in support of the repeal of the expiration of the DROP.

Leo Blackwell representing the Fraternal Order of Police also testified in support of IACT's and Mr. Hanify's testimony. The keystone for police officers is pension relief.

D. Pension Bonding by Units of Local Government

Commission Member Meno and Theodore J. Esping, Municipal Bond Counsel, Baker & Daniels, presented several police and firefighter pension fund bonding issues for the Commission's consideration. Under current Indiana law, a city or town must issue pension bonds to help fund the city or town's share of the benefit payment obligations under the Old Funds as general obligation bonds, so that pension debt competes with other municipal needs for a local government's bonding capacity. Second, the investment options for the bond proceeds are limited by the public fund investment statutes that require that the proceeds be invested in securities with a maturity of not more than two years. This restriction might not make sense when a city or town is investing pension bond proceeds for a long period. Third, the bonds must be issued at a public sale, which doesn't always work well for the issuance of pension bonds, a somewhat complex and "out of the ordinary" transaction.

As a response to these problems, three legislative changes were suggested. The first proposal is to eliminate the requirement that a local unit's assessed value be divided by three to determine the unit's debt limit for purposes of issuing pension bonds. This proposal is similar to the bonding authority the General Assembly provided in recent years to school corporations for the funding of local retirement or severance liabilities. This change would particularly benefit small and medium sized units.

The second proposal would allow units to issue pension bonds using a negotiated sale rather than a public sale. Factors that may make a negotiated sale in the government's best interest include the size and term of the transaction. Mr. Esping reviewed the process by which a public bond sale is conducted. Judgment and expertise determine whether a public or negotiated sale makes the most sense for a particular transaction. Attorney's fees vary by transaction, but they generally are lower for a public sale.

The third proposal is to give cities and towns more flexibility in the investment of pension bond proceeds. The proposal would allow units the investment flexibility authorized for PERF's investments only for the purpose of investing pension bond proceeds. Another alternative is to permit a city or town the option to use PERF to invest the pension bond proceeds on the city or town's behalf until the proceeds are needed.

Mr. Esping confirmed that the proposals being discussed would benefit local units, not the state. He also confirmed that the state could reduce the pension relief provided to a local unit that issued pension bonds if these proposals were implemented.

Staff distributed and briefly explained some of the statutes that could be affected by the proposed changes, including IC 5-13-9, local unit deposit and investment powers, and IC 5-1-11, procedures for selling municipal bonds. Staff also distributed IC 21-2-21-1.8 that authorizes a school corporation to issue bonds to pay for local retirement or severance liabilities.

Matt Brase representing IACT testified in support of the concepts presented. He stated that IACT is in favor of giving cities and towns as many tools as possible to allow them to pay their pension obligations.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made the following recommendations:

(1) The Commission unanimously recommended the introduction of Preliminary Draft 3085 which would amend IC 5-10.3-11-4.7 to eliminate the January 1, 2008, expiration date for the additional distributions from the Pension Relief Fund that ensure that at least 50% of the pension liability of each unit of local government is paid from the Pension Relief Fund.

(2) The Commission unanimously recommended the introduction of Preliminary Draft 3086 which would repeal IC 36-8-8.5-1, the December 31, 2007, expiration date for the public safety deferred retirement option plan (DROP).

(3) The Commission unanimously recommended the introduction of Preliminary Draft 3126 which would: (1) amend IC 4-1-10-5 to authorize the release of an individual's Social Security number for the purpose of administering a state retirement fund or deferred compensation plan; (2) amend IC 36-8-8-12.7 and IC 36-8-8-13.1 to establish a review process by the PERF board for an impairment awarded under the 1977 Fund because a local pension board did not act in a timely manner; and (3) extend the Legislators' Defined Contribution Plan Pilot Program until July 1, 2007.

(4) The Commission unanimously recommended the introduction of Preliminary Draft 3101 which would: (1) amend IC 5-10.2-3-8 to specify the type of disability benefit that a TRF member must be eligible to receive in order for the member's surviving spouse to qualify for a survivors' benefit; (2) add IC 5-10.2-4-8.4 to allow a TRF member who also serves in an elected position and elects, while holding the elected position, to begin receiving the retirement benefits to which the member is entitled by age and service to choose whether to retire from TRF or PERF; and (3) amend IC 21-6.1-4-6.1 to restrict the award of military service credit by TRF to service that is not used by the member under the terms of a military or another governmental retirement plan.

(5) The Commission unanimously recommended the introduction of Preliminary Draft 3216 which would amend IC 21-6.1-3-5 to require that the TRF director be a member of TRF or another person who is qualified by professional background and experience.

(6) The Commission unanimously recommended the introduction of Preliminary Draft 3204 which would amend IC 33-39-7-15, IC 33-39-7-16, and IC 33-39-7-19 to reduce from ten to eight the years of service credit required for a participant to vest in the Prosecuting Attorneys

Retirement Fund.

(7) The Commission, by a vote of 6-1, recommended the introduction of Preliminary Draft 3228 which would: (1) amend IC 33-38-8 to allow a person serving as a full-time magistrate to become a participant in the Judges' 1985 Benefit System; and (2) establish a cost of living adjustment to the monthly benefit payable to participants, survivors, and beneficiaries of the Judges' 1985 Benefit System using the same percentages and under the same conditions as the monthly benefit is increased for a member of PERF.

(8) The Commission unanimously adopted its final report.

<u>WITNESS LIST</u>

September 14, 2005

Matt Brase, Indiana Association of Cities and Towns
Tom Hanify, Indiana Association of Firefighters
Leo Blackwell, Fraternal Order of Police
David Adams, Executive Director, Public Employees' Retirement Fund
Chris Ruhl, Policy Director and General Counsel to the Office of Management and Budget
Robert Newland, Acting Executive Director, Indiana State Teachers' Retirement Fund
Tom Davidson, General Counsel, Indiana State Teachers' Retirement Fund

September 29, 2005

Doug Todd, McCready & Keene
Matt Brase, Indiana Association of Cities and Towns
Tom Miller, Indiana Association of Firefighters
David Adams, Executive Director, Public Employees' Retirement Fund
Tom Davidson, General Counsel, Indiana State Teachers' Retirement Fund
Rod Ellcessor, Indiana State Teachers' Association

October 20, 2005

Steve Johnson, Prosecuting Attorneys Council
Judge John G. Baker, Indiana Court of Appeals, Indiana Judges Association
Theodore J. Esping, Esquire, Municipal Bond Counsel, Baker & Daniels
Matt Brase, Indiana Association of Cities and Towns